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MANAGEMENT AUDIT

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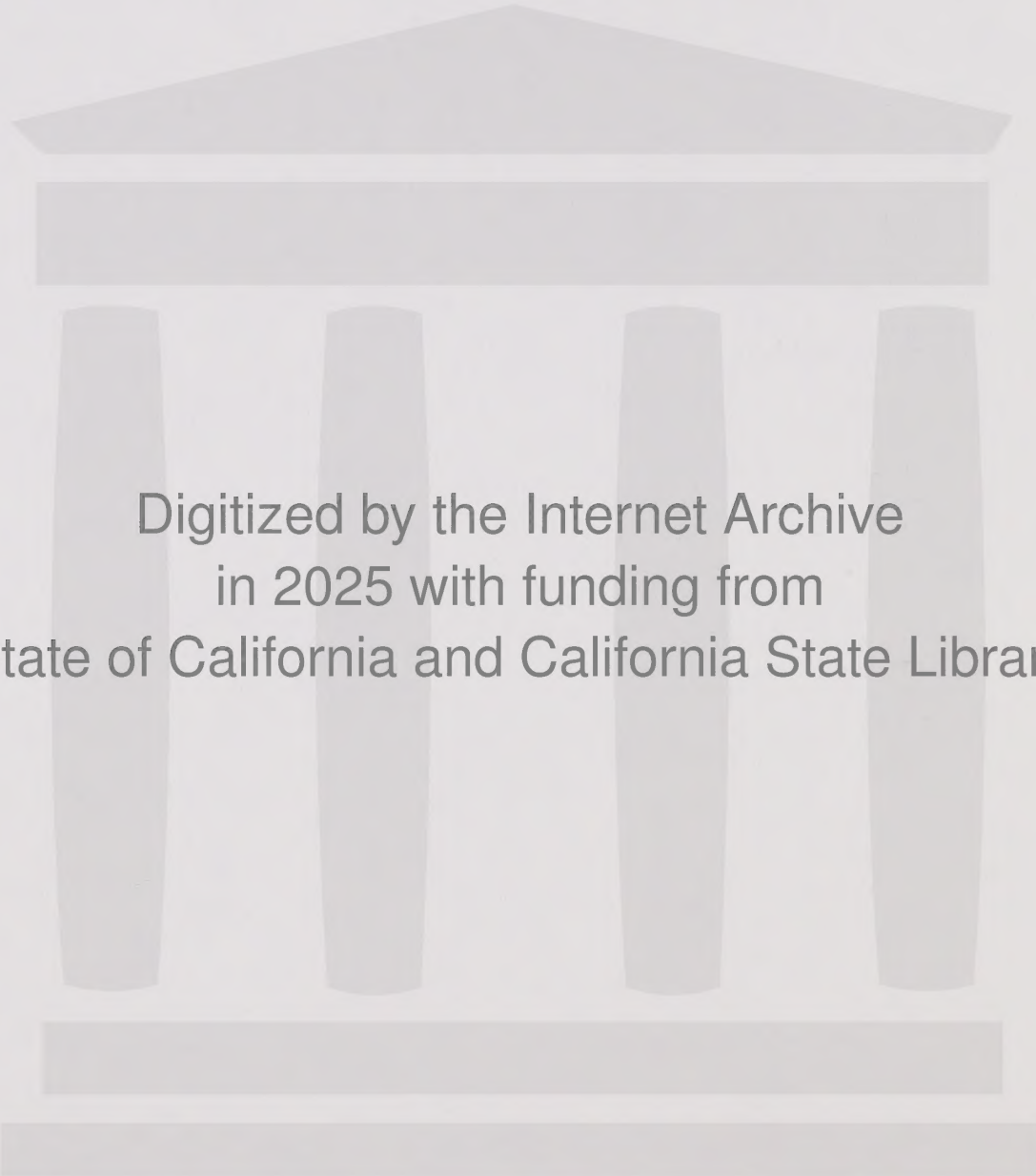
JUN 5 1980

UNIVERSITY OF CALIFORNIA

BY

Robert E. Chase
Acting City Administrative Officer

October, 1979



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CITY OF LOS ANGELES

CALIFORNIA

C. ERWIN PIPER
CITY ADMINISTRATIVE OFFICER



TOM BRADLEY
MAYOR

ROBERT E. CHASE
JOHN R. COOMBS
WILLIAM R. MCCARLEY
JEROME R. SELMER
THOMAS K. SHIELDS
ASST. CITY ADMINISTRATIVE OFFICERS

The Honorable Council of the
City of Los Angeles

The Honorable Tom Bradley
Mayor of the City of Los Angeles

Mr. Dick Walsh, General Manager
Municipal Auditorium Department

Transmitted herewith is the Report on the Management Audit of the Municipal Auditorium Department. The Audit was initiated in the normal course of events in furtherance of City Charter Section 53 for the purposes of examining operational compliance and evaluating the efficiency and effectiveness of the Department.

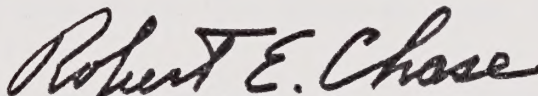
The recommendations contained in the Report have been divided into two categories to facilitate consideration as follows:

1. "For Mayor, Council and Department Attention."
2. "For Mayor and Department Attention."

The General Manager is requested to submit a report in four months to the City Administrative Officer detailing the progress achieved in implementing the recommendations of the Audit Report. My Office will then prepare an evaluation of the progress with appropriate recommendations, and transmit it with the Department's progress report to the Mayor and Council for information and necessary action.

The Management Audit of the Municipal Auditorium Department was directed under my supervision by John R. Coombs, Assistant City Administrative Officer, and Al M. Beuerlein, Chief Administrative Analyst. Members of the Audit Team were Robert J. Arata, C. Edward Corser and Leonard D. Tupper.

Very truly yours,

A handwritten signature in cursive script that reads "Robert E. Chase".

Robert E. Chase
Acting City Administrative Officer

REC:AMB:atms

cc: Each Member of the City Council
Board of Municipal Auditorium Commissioners
General Manager, Personnel Department

II. INTRODUCTION

The Municipal Auditorium Department markets and rents the facilities of the Convention Center for conventions, shows, meetings, dinners and other special events. It operates the parking facilities, provides client services and maintains the entire facility. The Department also provides financial support for and maintains liaison with the Greater Los Angeles Visitors and Convention Bureau.

The 1979-80 City Budget authorizes 124 positions, including 5 Commissioners at a direct cost of \$7,996,517. An additional \$809,119 for related costs is provided in the budgets of other City departments. The direct costs and source of funds are as follows:

Funds Required

Debt service	
Principal	\$ 770,000
Interest	1,788,410
Operating expenses	3,387,107
G.L.A. Visitors & Convention Bureau	2,051,000
	<u>\$7,996,517</u>

Source of Funds

General Fund	
Transient Occupancy Tax	\$2,051,000
Other	578,740
Operating Revenues	2,900,000
Municipal Auditorium Revenue Fund	415,777
(Reduction in available balance)	
G.L.A. Visitors & Convention	
Bureau Trust Fund**	2,051,000
	<u>\$7,996,517</u>

**This entire amount is generated through the Transient Occupancy Tax. These funds are provided to the Greater Los Angeles Visitors and Convention Bureau to finance their operation under contract approved by the City Council. The General Manager Municipal Auditorium Department is designated "Contract Administrator" for the City.

This is the second Management Audit of the Municipal Auditorium Department. Since the completion of the first audit

in January, 1975, the level of activity has increased considerably at the Convention Center. The increase has been primarily in the rental of the exhibition halls and to a lesser extent in the rental of the meeting rooms.

In order to increase its revenues, the Convention Center has assumed the responsibility for providing electrical and plumbing services to clients during their stay at the Center. These services were previously provided by a private contractor.

Marketing is provided both by the Convention Center staff and by the Greater Los Angeles Visitors and Convention Bureau. The Bureau is an independent organization with funding provided through the City. Discussions were held with the leadership of the Bureau.

Members of the Audit Team visited the Anaheim Convention Center, observed many of the Departmental activities, and interviewed Department employees, clients, and show producers in connection with the audit.

The supervisor of the Audit Team maintained liaison with the General Manager throughout the audit, periodically reporting audit findings and tentative evaluations. The findings and recommendations of the Audit have been reviewed in detail with the General Manager and the Board of Municipal Auditorium Commissioners. The General Manager has stated his intention to implement the recommendations which are within his authority.

III. SUMMARY

The Convention Center is operated by the City under lease and leaseback agreements. Site acquisition, construction and building modification costs to date have totaled nearly \$37.2 million. The City has agreed to pay all principal and interest on bonds amounting to approximately \$2.5 million per year. The final payment is due February 1, 2003.

In Fiscal 1977-78, the City appropriated \$875,000 to the Greater Los Angeles Visitors and Convention Bureau (GLA) to promote and publicize Los Angeles as an attractive site for conventions, trade shows and tourism. The appropriation was increased to \$1.5 million in Fiscal 1978-79 and to an estimated \$2.0 million in Fiscal 1979-80, based upon a formula whereby GLA now receives \$1 for every \$7.50 collected in Transient Occupancy Tax revenue. The effectiveness of GLA programs supported by such an expanded base of City support should be reviewed, and such large uncontrolled increases in the absence of specific justification should be terminated.

In the contract between the City and the GLA, the General Manager of the Municipal Auditorium Department is designated "contract administrator" for the City. The contract should be amended to provide a mechanism for arbitrating differences; a case in point, the justification for a program expenditure in terms of anticipated benefits to the City. A position of auditor has been provided in the budget for the purpose of auditing GLA expenditures under the contract. The GLA is to reimburse the City for the auditor's direct salary and related indirect costs. Recommendations relative to the auditor's duties and organizational reporting relationships are being made. Further, the Audit recommends that this Office be instructed to perform a management audit of the GLA in view of the City's substantial financial support of the Bureau.

GLA has urged the Convention Center to give greater priority to booking trade shows and conventions which bring in out-of-town participants as opposed to consumer shows which attract primarily the local populace. Long-term success of the Convention Center is dependent upon a workable booking policy which takes into account the need for a balanced mix of events considering revenue benefits to the City and economic stimulus to local business. A clear-cut set of policy guidelines should be formulated. However, based on data made available to the Audit Team, we are unable to conclude that a change in booking policy will have a significant net impact on direct revenues to the City

when Convention Center operating revenues, Sales Tax and Transient Occupancy Tax revenues are all considered.

Based on current and projected business at the Convention Center, maximum feasible use of existing hall space may be reached within the next few years. The Center has lost at least three future shows because of inadequate space for exhibits. Some of the regular bookings now fill all available hall space as well as makeshift exhibit areas outside the building. A feasibility study is now being conducted under GLA sponsorship to evaluate the potential demand, cost/revenue implications and alternative methods of financing expansion of the Convention Center.

Some six acres of land acquired as part of the original development of the Convention Center remain essentially unimproved and give an unsightly appearance to the main entrance of the Convention Center building. One of three parcels involved has been landscaped with lawn, and the other two are completely unimproved dirt lots which are used in some instances for overflow parking. Efforts to date aimed at securing an appropriate development proposal have been unsuccessful, but continue. Under present circumstances, and failing City acceptance of a specific proposal by June 30, 1980, the Department should press for non-permanent improvement of the vacant parcels to enhance the appearance of the grounds, pending further attempts to obtain a long-term proposal.

Basic rental rates for the Center are established by ordinance, but the General Manager has some authority to reduce or waive them given the recognized competitive environment within which the facility operates. The General Manager has expressed a need to further expand his authority in negotiating with Center clients, which is justified based upon the demonstrated ability of he and his staff to build Center business and increase revenue over the last several years. The General Manager should have absolute authority in negotiating with clients to reach agreements serving the City's best interests. Commensurate with that authority he should be held accountable for his decisions on adjusted rates.

The Marketing staff and Service Representatives deal directly with Center clients to schedule and plan events. They must also work closely with one another to coordinate the many details of event preparation. The two staff groups were recently merged organizationally to strengthen this working relationship, and the Convention Center Marketing Manager has further proposed a consolidation of the Civil Service classes involved to provide flexibility in making assignments. This proposal should be evaluated by the Personnel Department. Meanwhile, to insure

proper communications, an operations manual in process for some time now should be completed. Service Representatives should be brought into the event planning process at the earliest possible time once the schedule is confirmed.

In the past some attempts have been made to evaluate the Department's operating performance based on the extent to which net operating income generated funds to cover the annual debt service on outstanding bonds. Based on past performance, such an evaluation criteria is unrealistic. However, it is appropriate that consideration be given to the extent to which Convention Center activities are responsible for generating Transient Occupancy Tax and Sales Tax revenues for the City. The Convention Center should submit financial reports to City officials which clearly show the net subsidy required by the General Fund and other sources after all direct revenues to the City are considered, including Sales and Transient Occupancy Tax as well as operating revenues.

Accounting requirements for the Department are in many ways like the independent "enterprise" departments of the City but on a much smaller scale. In the absence of a City-wide automated financial management system, the Accounting Division must perform many functions manually. The books, records and procedures in use have evolved over the years, being changed to meet specific requirements. There appears to be some possibility for automating certain high-volume, repetitive accounting duties. The Principal Accountant should conduct a detailed desk by desk analysis of work performed for the purpose of improving procedures, clarifying responsibilities and simplifying detailed bookkeeping and report preparation methods.

The craft work required to maintain the physical plant; including the repair and maintenance of the electrical, plumbing, heating and air conditioning, and communications systems is performed well. However, there are some deferred maintenance items which should be attended to. An inventory of the overall maintenance requirements should be made and a program developed to complete all deferred maintenance.

The general level of cleanliness and overall appearance of the Convention Center are not up to par for a public facility of this type. Based on the findings of this audit and a separate review of the custodial function by this Office, it is clear that specific action is required to improve the level of cleanliness at the Center. Some alternatives are suggested in the body of this report. After considering the potential courses of action available, the General Manager should prepare a proposal for submission to the Mayor supporting the favored approach.

Within the past year, the Convention Center has assumed the responsibility for providing electrical and plumbing services for clients. To facilitate the responsibility, a new Electrical Services Section was established within the Maintenance Division. Additional electricians from other City departments are hired on a temporary basis to supplement the Convention Center's staff during event move-ins and move-outs. The service provided has been generally satisfactory, although some problems have been encountered during this first year of operation due to the fact that the work is new to the Convention Center. Maintenance management personnel should draw upon their experience to date in providing this service for the major consumer and trade shows and set forth operating guidelines in procedural manuals for use in the future. This will insure that adequate inventories of equipment and supplies will be on hand for each of the shows in future years, and that the scheduling and utilization of the additional craft personnel hired to assist the regular employees will be carefully planned in advance so that the best possible service can be provided to clients.

Due to the fact that the Department must adhere to rigid time schedules in meeting the requirements of its clients, and because it is not possible to anticipate all equipment and material requirements in advance, emergency purchases must be made periodically. To facilitate making emergency purchases, the General Services Department should be requested to obtain additional yearly orders and contracts tailored specifically to the needs of the Department, and to assist in making more items available through the City Store.

There is currently a workload imbalance among the Maintenance Division supervisory personnel. An organizational adjustment is suggested to improve this situation.

No significant actual problems were observed in the parking services function, but potential problems exist. It is believed that some changes in equipment and procedures can be made which will improve revenue controls.

Security personnel are concerned primarily with observing and reporting happenings at the Convention Center facility and providing information and assistance to patrons and clients. This service is provided around-the-clock, seven days per week. Security will be further strengthened in the future when installation of the closed circuit TV monitoring system has been completed. No significant problems were noted in the security operation.

IV. RECOMMENDATIONS

For Mayor, Council and Department Attention

It is recommended that the Mayor and City Council:

1. Instruct the General Manager, Municipal Auditorium Department to prepare a report for Council conveying his evaluation of program performance by the Greater Los Angeles Visitors and Convention Bureau under agreement with the City for promotional services from July 1, 1978 through June 30, 1979.
2. Instruct the General Manager, Municipal Auditorium Department, in cooperation with the City Attorney, to prepare and submit for Mayor and Council approval an amendment to the contract between the City and the Greater Los Angeles Visitors and Convention Bureau for the FY 1980-81 which would create an appeals process to resolve contractual differences which arise regarding program expenditures. It is further recommended that a tri-partite appeals body comprised of the General Manager Municipal Auditorium Department, the President of the Visitors and Convention Bureau and the City Administrative Officer be established to rule on such differences.
3. Reconsider the basis for the annual City appropriation to the Greater Los Angeles Visitors and Convention Bureau; such reconsideration to take into account the significant increase in the size of the appropriation which has occurred in the past two years under the Transient Occupancy Tax formula established in 1978.
4. Instruct the City Administrative Officer to perform a management audit of the Greater Los Angeles Visitors and Convention Bureau at the first scheduling opportunity in view of the City's substantial financial interest in the Bureau.
5. Instruct the General Manager, Municipal Auditorium Department to provide the Mayor and Council within three months, a draft booking policy for the Convention Center drawn up in cooperation with the Greater Los Angeles Visitors and Convention Bureau.

6. Instruct the General Manager, Municipal Auditorium Department to evaluate the findings of the GLA sponsored expansion feasibility study now in progress and submit appropriate recommendations to the Mayor and Council.
7. Instruct the City Attorney to draft amendments to Section 8.149.1 of the Administrative Code deleting Subsections "A" and "D", and adding a subsection which provides essentially as follows:

The General Manager shall submit a report to the Mayor and Council within 30 days after the close of each fiscal year describing each instance in which a substantial rate reduction or waiver (as agreed upon by the Mayor and the General Manager) was granted to a licensee.

For Mayor and Department Attention

8. It is recommended that the Mayor instruct the General Manager Personnel Department to review and recommend appropriate action on the proposal by the Convention Center Marketing Manager to consolidate the Civil Service classes of Marketing Representative, Services Representative, Senior Services Representative and Services Supervisor.

It is recommended that the General Manager, Municipal Auditorium Department:

9. Request the Department of General Services to prepare cost estimates for interim landscaping and/or paved parking alternatives for the vacant unimproved lots fronting the Convention Center along Figueroa Street. Further, that the General Manager actively pursue the interim alternative which in his judgement is most appropriate if no permanent development proposal has been accepted by the City by June 30, 1980.
10. Direct the Convention Center Marketing Manager to modify Marketing/Services Division procedures whereby Service Representatives will be assigned as primary liaison with clients no later than six months prior to the event dates or as soon as requested by clients.
11. Complete the operations manual for the Marketing/Services Division by the end of calendar 1979.
12. In the interest of improving financial reporting and information,

- a) Submit to the Board of Municipal Auditorium Commissioners and other City officials in connection with the budget and other periodic reports, financial data showing historic or projected future results of operations in a format that clearly shows the subsidy required from the General Fund and/or other sources. The summary format set forth in the body of this report on page 26 is suggested.
 - b) Request the Greater Los Angeles Visitors and Convention Bureau to develop and maintain data that would relate Convention Center activities to hotel-motel business and to Sales and Transient Occupancy Tax revenues in the downtown area and in other parts of the City.
13. In connection with administration of the contract with the Greater Los Angeles Visitors and Convention Bureau,
- a) Assign to the Marketing/Services Division those duties concerning goals and program evaluation, approval of advertising copy, brochures, contracts, and related matters as specified.
 - b) Assign to the Accounting Division those duties concerning audit of expenditures and approval of invoices for payment.
 - c) Assign the auditor a dual reporting relationship, reporting to the Accounting Division for auditing expenditures and approval of invoices; and reporting to the Marketing/Services Division to assist in obtaining facts and data about the other activities and programs required for contract compliance.
14. Direct the Principal Accountant to conduct a detailed desk-by-desk analysis of work performed in the Accounting Division for the purpose of improving procedures, clarifying responsibilities and simplifying detailed bookkeeping and report preparation methods.
15. Request the assistance of the City Administrative Officer in reviewing the potential for automation of high-volume repetitive accounting activities.
16. Assign to the Building Maintenance Supervisor the responsibility for direct supervision of the operations of the Grounds Maintenance Section and the Custodial

Services Section (See Attachment B - Department Organization Chart-Current and Proposed).

17. Reassign the Administrative Assistant position and incumbent to the Maintenance Division in accordance with existing budget authority. The duties of the position should include those referenced on page 35 of this report.
18. Assign to the Assistant Building Superintendent the following tasks:
 - a) Periodically review, evaluate and initiate necessary action to improve the operations of the various maintenance sections.
 - b) Make a complete inventory of the maintenance requirements for the Convention Center to develop a program for completing all deferred maintenance and to establish schedules for routine preventive maintenance where necessary and where not now provided.
19. Review the special show requirements, and analyze problems encountered in providing electrical and plumbing services for each major event to date; and
 - a) Prepare a Planning and Operations Guide for future use, including instructions and procedures relating to initial inventory requirements, personnel staffing and scheduling, and the most efficient methods of organizing and assigning the work force for each event.
 - b) Prepare a Reference Manual pertaining to the operation of the Electrical/Plumbing Booth. The manual should include information relating to the methods of handling complaints, means of assessing charges for services and materials, and methods of coordinating with the craft personnel who are providing the electrical and plumbing services. All personnel who may be assigned to the booth during show move-in and move-out days should also be required to attend periodic training sessions so as to be thoroughly familiar with what the Center has to offer and how to deal with clients.
20. Discuss with the appropriate representatives of the Department of General Services actions which can be initiated to facilitate the acquisition of equipment,

materials and supplies in emergency situations. Suggestions should include:

- a) Requesting that additional yearly orders and contracts tailored to the needs of the Department be executed.
 - b) Discussing the possibility of adding inventory items, adjusting inventory levels, and modifying working hours at the City Store when necessary to support critical event move-ins at the Convention Center.
- 21. Consider modifying Ordinance No. 151,323 or establishing a separate Revolving Fund Account within the Municipal Auditorium Revenue Fund as a means of financing the acquisition of equipment, materials and supplies which are required to provide electrical and plumbing services to clients.
 - 22. Develop and submit to the Mayor a specific proposal for improving custodial maintenance at the Convention Center consistent with the unique requirements of the facility.
 - 23. Initiate necessary action to improve the general appearance of the interior and the exterior of the Convention Center facility as outlined in the section of this report entitled "General Appearance of the Convention Center".
 - 24. Instruct the Building Superintendent to contact private parking specialists to review the parking system currently in operation at the Convention Center, and to recommend revenue control procedures and related hardware which will insure more positive controls.

V. FINDINGS

Greater Los Angeles Visitors and Convention Bureau

The City has annually appropriated varying sums to the Southern California Visitors Council and the Los Angeles Convention Bureau to publicize and promote Los Angeles as an attractive site for conventions, trade shows and tourism. In Fiscal 1976-77 the Convention Bureau and the Visitors Council received \$350,000 and \$175,000 respectively from the City. In Fiscal 1977-78 the two organizations merged to form the Greater Los Angeles Visitors and Convention Bureau. That year the Bureau received \$875,000 from the City. In Fiscal 1978-79, the City raised the Transient Occupancy Tax from 6% to 7.5%, and agreed to apportion 1% or 2/15ths to the GLA annually. In Fiscal 1978-79, this amounted to an estimated \$1.5 million, a 44% increase over what the Bureau received in the prior year. Based upon the 1% formula, the GLA will receive an estimated \$2 million from the City in Fiscal 1979-80.

In January 1979, the Council approved an agreement with the GLA whereby in return for the City's contribution the GLA would, among other things, "Promote Los Angeles and its facilities and attractions as a desirable location for conventions and trade shows, and actively solicit such conventions and trade shows to be held in Los Angeles with emphasis on use of the Los Angeles Convention and Exhibition Center".

The Council has assigned the Convention Center General Manager to administer the Agreement. Among other things he is to approve all contracts requiring City funds in excess of \$25,000, and review invoices, advertising copy, brochures and other documents representing GLA activities on behalf of the City. One Auditor position has been added to the Convention Center budget to support this function, to be funded from the City's contribution to GLA under the Agreement.

The dramatic increase in revenue conveyed by the City to GLA under the 1% "bed-tax" formula suggests a need for program evaluation to assess the benefits derived from so large an expenditure. The Convention Center General Manager, as administrator for the Agreement, works regularly with GLA and is in a position to judge the merits of various Bureau promotional programs and overall staffing needs. He should work with GLA

management to establish evaluation criteria and prepare a full report to Council with appropriate recommendations covering GLA performance under the Agreement expiring June 30, 1979. See Recommendation No. 1.

In the course of the audit, the Team became aware that the General Manager, acting in his capacity as contract administrator for the City, had raised questions regarding certain planned expenditures in the GLA budget for 1979-80. Additional justification was requested from GLA, which produced a response to the effect that the General Manager was exceeding his authority. It appears there is a need to amend the contract between the City and GLA to provide an appropriate mechanism for arbitration of differences. See Recommendation No. 2.

When Council agreed to the 1% Transient Occupancy Tax formula for GLA in 1978-79, there was no limit placed on the potential funding increase. If the City is to provide consistent financial support to GLA, some base-line funding guarantee appears appropriate. Such large, uncontrolled increases in the absence of specific justification are unwarranted. See Recommendation No. 3.

Based on the considerations addressed in this section, and in recognition of the City's interest in and support commitment to the GLA, a recommendation is made calling for the City Administrative Officer to be instructed to perform a management audit of the Bureau. See Recommendation No. 4.

Convention Center Booking Policy

Booking policy at the Convention Center has been a controversial issue for some time now, particularly during the last three years. The Greater Los Angeles Visitors and Convention Bureau has previously expressed opposition to the Convention Center policy of protecting prime-time hall dates for consumer shows, making it difficult for the GLA to book major trade shows and conventions. GLA basically represents the local hotel, restaurant and retail merchandising industries which benefit from spending by trade show and convention participants from out-of-town, but profit little from consumer shows which attract primarily the local populace. From the Convention Center management perspective though, consumer shows warrant preferential treatment as a source of stable, repeat business which generates more rental, parking and food concession revenue than many trade shows and most conventions.

The General Manager maintains that his responsibility is to book the Center with events which provide maximum revenue to the Department. GLA argues, however, that the Convention Center was built to attract out-of-town visitors to Los Angeles, and that maximization of Department revenues was not the primary objective. In an attempt to redirect Convention Center objectives, GLA management has recommended that the Convention Center give more priority to conventions and trade shows because they not only contribute to the local economy, but also generate substantial Sales and Transient Occupancy Tax revenues for the City as discussed in the Financial Management Section of this report.

In late August 1978, GLA staff polled 25 convention centers in the Country and found that 18 (72%) "provide a priority of dates for conventions and trade shows as opposed to public shows ..." (See Attachment A)

GLA would like to assume control of bookings at the Convention Center to assure that conventions and trade shows get priority consideration, and to better coordinate event scheduling with available hotel accommodations. This would be similar to an arrangement in Anaheim whereby the Convention Bureau controls bookings for events scheduled more than one year in advance. The Convention Center, merely works to fill the blank dates remaining in the next twelve-month period.

We cannot support a transfer of authority over Convention Center booking policy to the GLA. As owner of the facility, the City should retain control over all policy which dictates the types and mix of events scheduled there. It is imperative though, that a workable compromise between the Department and GLA managements be confirmed in the best interest of the City. Department management is of the opinion that City policy calls for bookings to generate maximum revenue for the facility, so that General Fund subsidies can be reduced. This approach inappropriately excludes consideration of the Sales and Transient Occupancy Taxes generated by trade shows and conventions, which provide direct revenue to the City. Although tax revenues do not pass through Department accounts, they should be credited against the annual City subsidy to the Center. It follows that trade shows and conventions should be given more consideration in booking insofar as they generate tax revenue for the City as well as rental income for the Convention Center.

To accomplish this, it will be necessary for the Convention Center to make more time available, particularly in the Spring, by not protecting all of the consumer shows which now hold these prime-time dates. A compromise is possible whereby one or two of the most lucrative consumer shows would be

protected, leaving all other dates open for booking based upon what the General Manager deems "the best piece of business". Certainly consideration must be given to the "annual" nature of consumer shows against the "one-time" and "intermittent" conventions. Nevertheless, conventions should be given more opportunity to compete for space. The General Manager should immediately pursue negotiations with the GLA to draft a proposed booking policy which takes into account the need for a balanced mix of events at the facility considering overall revenue to the City, economic stimulus to local business and other pertinent factors. This policy should be presented to the Mayor and Council for ratification within the next three months. See Recommendation No.5

Convention Center Expansion

Hall usage at the Convention Center has climbed in five years from an occupancy rate of 50% to a projected rate of 73% in 1978-79. Optimum occupancy for the halls is estimated at roughly 85%, assuming the loss of some days between scheduled events and certain seasonal lows which are more difficult to book. Based on current trends, optimum hall utilization could be reached within the next several years.

Space requirements for events at the Convention Center have also increased to a point where some regular bookings like the Boat Show and Westec use all available hall space as well as makeshift exhibit areas in the garage and on the outer parking lot. The General Manager called attention to exhibit capacity as a problem in the Department's 1977-78 Annual Report.

As we look to the future, it is necessary to consider expansion of the Convention Center. In the past four years, we have noted the continuing growth of space requirements of the shows which play this building.... In future years we anticipate that demands from show managers for additional exhibit space will multiply, and if we cannot provide larger enclosed temperature-controlled exhibition areas, with added meeting and function space, then shows will move elsewhere to sites where they can be accommodated in larger exhibit halls.

When Convention Center expansion became an issue early in this audit, it seemed quite premature to consider financing

enlargement of a facility already heavily subsidized by the City. A consultant was then studying the potential for private development of two adjacent parcels which were included as part of the original design concept for a Convention Center complex. Pending hotel and/or related improvements on these sites would certainly affect, and should be integrated with, future space needs of the Convention Center itself. Furthermore, the conflict over booking policy at the Center, discussed above, is a clear obstacle to the cooperative efforts of the Convention Center and GLA Marketing staff which would be essential in attracting the larger trade shows and conventions to fully utilize an expanded facility.

Both the Department and GLA managements have expressed specific interest in obtaining an independent economic and architectural study of the feasibility of expanding the Convention Center. It is the understanding of this Office that such a study was commissioned by the GLA during the course of the audit. There are a number of reasons why this type of study seems timely.

1. The Convention Center has already lost at least three future shows to Anaheim because it is inadequate to house planned expansions of exhibit space. On-going expansion at Anaheim and the construction of a new facility in San Francisco, as well as the existing Las Vegas Center, may continue to erode the Convention Center's competitive position for attracting the larger events over the next several years. Many convention centers in the country are expanding to meet the growing space demands of shows and conventions.
2. Until recently, a shortage of hotel rooms in the downtown area precluded the feasibility of bidding on a number of very large conventions. As new hotels and room additions have been constructed though, the amount of exhibit space and number of meeting rooms at the Convention Center have become limiting factors.
3. As the City moves closer to final approval of a Downtown People Mover, travel convenience between major hotels and the Convention Center will enhance the attraction for more large convention activity.
4. Present potential for private development of land adjacent to the Convention Center is limited, according to the findings of a consultant. It may be unreasonable to expect that Convention Center expansion plans should be delayed pending improvements on the vacant parcels.

In fact, it may be more feasible to consider the use of that property for expansion purposes.

5. Expansion of the Convention Center could prove economically beneficial to the City in terms of direct Sales and Transient Occupancy Tax revenues derived from the larger conventions and trade shows which could be attracted.
6. A resolution of the booking policy conflict between the Convention Center and the GLA staff based upon the objective of maximizing revenue to the City, as discussed above, will enhance the likelihood of making full use of an expanded Convention Center.

See Recommendation No. 6.

Vacant Unimproved Property

Fronting the Convention Center along Figueroa Street, roughly six acres acquired as part of the Center development plan remain unimproved. Streets providing access to the Center divide the property into three parcels, the center one of which has been planted with grass and other minimum landscaping. The other two parcels are dirt lots which occasionally provide overflow parking for Center events, but which create an eyesore in the area and detract substantially from the Center's appearance.

The City has advanced a continuing effort to market the property among development interests for construction of a hotel or other suitable complex compatible with the Convention Center. There has recently been some private interest expressed which may lead to a development project in the future.

As an alternative to private development, it is possible that a portion of the unimproved acreage may be suggested as a site for future expansion of the Center. The Convention Bureau's expansion feasibility study now underway could conceivably make recommendations which impact the property.

As projects are being considered for permanent improvements to the undeveloped acreage, a contingency plan to upgrade the appearance of the dirt lots should be prepared. A 1977 cost estimate for landscaping should be updated, and financing alternatives considered. In the event that no significant progress is made by June 30, 1980, on a proposal for

permanent development of the property, a plan for interim landscaping and/or paved parking should be implemented. See Recommendation No. 9.

Negotiation Flexibility

Basic rental rates for the use of Convention Center facilities are established by ordinance in the Administrative Code. The General Manager has expressed concern that fixed rates restrict his ability to negotiate with clients. The Mayor and Council have recognized the competitive environment within which the Convention Center operates, and on several occasions have acted to provide the General Manager with flexibility in negotiations whereby rates may be reduced or waived under specific conditions. Most recently, (June 1978) the Code was amended to allow the General Manager to reduce rates for trade shows and conventions based upon a formula involving anticipated Transient Occupancy Tax revenues from participating out-of-town visitors. Proposed rate reductions which do not meet the formula requirement may be submitted for Council approval by resolution. It has been the position of this Office that negotiated rate reductions are justified to the extent they bring in business which would otherwise be lost, and in the process increase visitor traffic to Los Angeles with resulting beneficial impact on the local business economy and on tax revenues to the City.

In the course of this audit, the General Manager has expressed a need to further expand his authority in negotiating with clients. In a recent statement on the present Transient Occupancy Tax formula for rate reductions he noted,

I actually doubt that there is any way to create a viable negotiating flexibility formula. The result of establishing such a formula is the creation of an inflexible policy. It is not really practical to establish a negotiating flexibility formula because it is impossible to anticipate what type of bids or proposals will have to be made or accepted in the future. I strongly believe that the best approach is to allow the negotiator freedom, within some general parameters, to work out the best possible arrangement for the City. He should be required to explain the reasoning and basis therefore when a major variation is made from pre-determined 'established' base rental figures.

The General Manager and his staff have demonstrated over the last several years an ability to build Convention Center business and increase revenue. It is our position that the General Manager should have absolute authority in negotiating with clients to reach agreements which serve the City's best interests. Commensurate with that authority, he should be held accountable for his decisions on adjusted rates. His performance should be evaluated in terms of direct revenue to the Convention Center and related tax revenues to the City. Section 8.149.1 of the Administrative Code now provides the General Manager with full negotiating flexibility except for restrictive conditions as follows:

- A. Rates may be reduced or waived only where the anticipated Transient Occupancy Tax revenues which may reasonably be attributed to the convention or trade show under consideration are not less than twice the amount by which said rates are to be reduced or waived.
- D. Proposed rate reductions or waivers which do not meet the requirements of subparagraph A of this section shall be submitted to the Mayor who shall recommend to the Council whether a particular proposed rate reduction or waiver be granted or denied. Council action shall be by resolution.

These conditions should be removed from the Code and replaced by a provision whereby the General Manager shall submit a report to the Mayor and Council each year explaining the extent of, and rationale for, substantial rate reductions or waivers granted the previous year. These amendments will give the Manager complete negotiating authority, yet hold him accountable for agreements where rates deviate from the basic rates approved by the Mayor and Council. See Recommendation No. 7.

Marketing/Services Division

In 1976, the Convention Center established its own marketing organization to augment sales efforts by the Los Angeles Convention and Visitors Bureau. The General Manager noted in his 1976-77 Annual Report:

Previously, the Los Angeles Convention and Visitors Bureau furnished the sales effort for the Convention Center promoting major hotels and other privately owned facilities, in addition to the

Center, with a resulting dilution of effect. It was felt the Bureau expended too much energy in attracting shows and events which were too small to utilize the Convention Center, but would fit nicely into one of the other facilities. By having its own Marketing Division, the Center is now in a position to 'zero in' on potential clients and deal exclusively with organizations that can use the Center.

The Convention Center's Marketing personnel have extensive sales and service experience in the trade/consumer show and convention business, and are well versed in techniques of marketing the Convention Center. They are in regular contact with show promoters and convention organizers across the country, and periodically make sales trips to Chicago, Washington, D.C., and New York, where major meeting groups are headquartered. They represent the Center at trade group meetings such as the National Association of Exposition Managers and the American Society of Association Executives. They coordinate with the GLA staff on hall bookings and occasionally work with them on special sales campaigns.

Our review of hall events booked from June 1976 through December 1978 shows an encouraging upturn in Convention Center business, which must in large part be attributed to the sales effort of the Marketing staff. The creation of a Convention Center marketing organization has certainly enhanced the competitive position of the facility. The expanding base of repeat business, the improved image of the Convention Center in recent years among show promoters and the general proliferation of show productions have also been positive factors.

A team approach is used in dealing with clients for hall events. A Marketing Representative makes an initial contact to interest a client, acquaint him with the facility and schedule dates for an event. Sometime after the schedule is confirmed by contract, a Service Representative is assigned to work with the client in coordinating the many details of event preparation. It is essential that the Marketing and Service Representatives coordinate their work in dealing with the client to avoid any misunderstandings as to Convention Center rates, policies and services.

In a move to strengthen continuity of Convention Center relationships with each client from the point of sale through the preparation and servicing of a scheduled event, the sales and services groups within the Department were placed under supervision of the Convention Center Marketing Manager in March 1978. Previously the Services Representatives reported

separately to the General Manager. The merger has reduced paperwork and clerical staffing demands, and has focused responsibility for coordinating sales and service at a more appropriate level in the management structure.

The Audit Team found working relationships between sales and service personnel to be functionally effective. Staff members are aware of their responsibilities and the need for coordination. Procedures are established to insure that event details are properly addressed. Pre-event planning meetings and post-event evaluation sessions are routinely conducted with each client for maximum communication.

It does appear to be rather awkward and probably less efficient for a Services Representative to make initial contact with a client for the first time some six months or less from the date of an event, rather than earlier at the time a schedule is confirmed. If the Services Representative is introduced to the client at the time of contract, he/she will be party to the planning process from the outset. He/She will insure that the client is fully aware of Convention Center operating policies and services, and cover details which would otherwise be left to the Marketing Representative. See Recommendation No. 10.

The Marketing Manager has proposed that the Civil Service classes of Marketing Representative, Services Representative, Senior Services Representative and Services Supervisor be reclassified to a common position class of Marketing Representative, with advance pay grades. The purpose would be to allow for more cross-training and flexibility in making assignments. The positions are closely related as they all involve extensive client contacts and a knowledge of Convention Center rates and policies. Reclassification would also correct certain discrepancies noted as to the responsibility of existing services positions. See Recommendation No. 8.

The Marketing Manager has issued a series of "Ops Memos" outlining basic staff responsibilities and clarifying procedural issues as they arise from time-to-time in connection with events. After a full-year in operation with a consolidated Marketing/Services Division, these memos should be formalized and amplified as part of a complete operation manual. Both Marketing and Services Representatives should participate in the project, and complete the manual as soon as time permits. See Recommendation No. 11.

Financial Management

The Los Angeles Convention and Exhibition Center Authority was created by a Joint Exercise of Powers Agreement executed January 16, 1967, between the City and the County. The Authority, which exists as a separate public entity apart from the City and County, consists of 15 members, 10 appointed by the City and five appointed by the County. The City Clerk, City Treasurer, City Controller and City Attorney service the Authority as Secretary, Treasurer, Controller and Attorney, respectively.

In 1968 the Authority issued revenue bonds in the amount of \$18 million for site acquisition, and in 1969 issued another \$20.5 million for construction of the Convention Center, for a total of \$38.5 million authorized and issued.

An additional \$4.5 million was received from earnings, gifts, and other miscellaneous sources making a total of \$43 million available. In accordance with the bond agreements, nearly \$6.0 million was set aside for premium and interest due through August 1971, the approximate time when the project would be ready for occupancy. The remaining \$37.0 million was available for site acquisition and construction. The City acquired the site and constructed the facility for the Authority under lease/leaseback arrangements. Site acquisition, construction and building modification costs through June 30, 1979 have totaled \$37,141,779.

Under provisions of the Joint Exercise of Powers Agreement dated January 16, 1967 and the Convention and Exhibition Center Lease between the Authority and the City dated November 20, 1967, the City has agreed to pay all principal and interest on the bonds amounting to approximately \$2.5 million per year. The final payment is due February 1, 2003. The Agreement terminates after 50 years or prior thereto at such time as all revenue bonds and interests are paid. At that time, the property, funds, and assets of the Authority become the property of the City. The Lease provides for the City to manage, maintain and operate the Convention Center.

Evaluation of Results of Operations

Results of operations for the last two fiscal years and the proposed budget for the coming fiscal year are summarized below:

	<u>1977-78</u>	<u>1978-79</u>	<u>Proposed City Budget 1979-80</u>
Operating Revenues	<u>\$2,671,247</u>	<u>\$2,884,695</u>	<u>\$2,900,000</u>
Operating Expenses			
Salaries	1,505,095	1,697,146	2,074,022
Expenses	679,712	841,770	877,326
Equipment	2,443	1,426	525
Building Modifications & Other	<u>352,190</u>	<u>602,825</u>	<u>435,234</u>
	<u>\$2,539,440</u>	<u>\$3,143,167</u>	<u>\$3,387,107</u>
Net Operating Income(Loss)	<u>\$ 131,807</u>	<u>\$ (258,472)</u>	<u>\$ (487,107)</u>
<u>Funds Required</u>			
Debt Service			
Principal	\$ 695,000	\$ 730,000	\$ 770,000
Interest	1,869,830	1,828,130	1,788,410
Net Operating (Income) Loss	(131,807)	258,472	487,107
GLA Visitors & Convention Bureau	<u>875,000</u>	<u>1,436,640</u>	<u>2,051,000</u>
Total	<u>\$3,308,023</u>	<u>\$4,253,242</u>	<u>\$5,096,517</u>
<u>Source of Funds</u>			
General Fund			
Transient Occupancy Tax	\$1,613,255	\$2,006,911	\$2,051,000
Other	1,364,015	809,691	578,740
Municipal Auditorium			
Revenue Fund (Reduction in Available Balance)	330,753	--	415,777
GLA Visitor & Convention Bureau Trust Fund	<u>--</u>	<u>1,436,640</u>	<u>2,051,000</u>
Total	<u>\$3,308,023</u>	<u>\$4,253,242</u>	<u>\$5,096,517</u>

The foregoing figures for 1977-78 and 1979-80 are summarized from the 1979-80 City Budget. The 1978-79 figures are

summarized from actual expenditures reported by the Controller. They are somewhat different from those shown on the reports issued by the Municipal Auditorium Department, primarily because the latter is prepared on an accrual basis while the City Budget and Controller are prepared on a cash basis. However, such differences are not significant. The purpose of presenting the information here is solely to illustrate a format that shows the source of all funds required to finance Municipal Auditorium operations and debt service.

In the past some attempts have been made to evaluate the Department's operating performance based on the extent to which the Net Operating Income generated funds to cover the annual debt service on outstanding bonds. Such an evaluation criteria is unrealistic. In no year since inception has the Convention Center generated significant Net Operating Income in relation to the amounts required for debt service.

Undoubtedly, the Mayor and Council anticipated this result. Effective March 1, 1971, Ordinance No. 141,473, amended Section 21.7.3, of the Los Angeles Municipal Code, increasing the Transient Occupancy Tax from 5% to 6%. The ordinance also "requested" the Mayor to include in his proposed Budget for each fiscal year an amount equal to 1/6 of the Transient Occupancy Tax estimated to be received. Even though the ordinance did not legally require it, City Budgets have designated that portion (1/6) of the Transient Occupancy Tax revenues as a source of funds to finance the Department. It appears that this was the intent of the Mayor and Council at the time.

The foregoing data may be restructured as shown on page 26 as a means of evaluating the effectiveness of Department Management in operating the Convention Center.

The 1979-80 Budget provides the \$994,517 subsidy from two sources; \$578,740 from other General Fund revenues; and \$415,777 from reduction of the available balance in the Municipal Auditorium Revenue Fund. See Recommendation No. 12a.

It should be emphasized that Section 21.7.3, of the Los Angeles Municipal Code did not require the 1/6th portion of the Transient Occupancy Tax to be appropriated. Indeed, that Section of the code has since been deleted. Also, there never was any empirical study to demonstrate that the Convention Center activities are responsible for generating revenues equivalent to 1% of the Transient Occupancy Tax Base. Nevertheless, as a general rule of thumb, it appears to be as good a method as any yet suggested for evaluating Departmental performance.

The Greater Los Angeles Visitors and Convention Bureau may wish to use some of the funds provided by the City to develop and maintain data that would more precisely relate Convention Center activities to hotel-motel business and to sales and Transient Occupancy Tax revenues in the downtown area and in other parts of the City. Such data may be useful in evaluating Convention Center operating performance, as well as future Convention Center expansion, and alternative methods of raising revenues to finance such expansion. The data should be maintained in such a way that its accuracy and validity may be reviewed and audited by the City. See Recommendation No. 12b.

Revenues from the City's Transient Occupancy Tax are summarized on page 27.

Department Financial Effectiveness

	<u>1977-78</u>	<u>1978-79</u>	<u>Proposed City Budget 1979-80</u>
Operating Revenues	\$2,671,247	\$2,884,695	\$2,900,000
Operating Expenses	<u>2,539,440</u>	<u>3,143,167</u>	<u>3,387,107</u>
Net Operating Loss (Income)	\$ (131,807)	\$ 258,472	\$ 487,107
Debt Service Required			
Principal	695,000	730,000	770,000
Interest	<u>1,869,830</u>	<u>1,828,130</u>	<u>1,788,410</u>
Total Subsidy Required	\$2,433,023	\$2,816,602	\$3,045,517
Available from Related			
General Fund Revenues			
Transient Occupancy Tax			
Tax (1% of Tax Base)	1,613,255	2,006,911	2,051,000
Sales Tax*	<u>--</u>	<u>--</u>	<u>--</u>
Subsidy Required from			
Other Sources	<u>\$ 819,768</u>	<u>\$ 809,691</u>	<u>\$ 994,517</u>

*Data not currently available

Revenue Summary: Transient Occupancy Tax

<u>Year</u>	<u>% Rate</u>	<u>Total Revenue</u>	<u>Fund Credited</u>		
			<u>General Fund</u> (\$ millions)	<u>Greater Los Angeles Visitors and Convention Bureau Trust Fund</u>	<u>1984 Olympic Games Trust Fund</u>
1970-71	5	\$ 3.452	\$ 3.452	\$	\$
1971-72	6 (1)	3.956	3.956		
1972-73	6	4.552	4.552		
1973-74	6	5.160	5.160		
1974-75	6	5.808	5.808		
1975-76	6	6.385	6.385		
1976-77	6	7.725	7.725		
1977-78	6	9.679	9.679 (A)		
1978-79	7-1/2	13.933	12.041 (B)	1.437 (2)	.455 (3)
1979-80	7-1/2	15.397	12.320 (C)	2.051	1.026

(Note: 1979-80 figures are based on estimates.)

- (1) 1% Increase effective March 1, 1971.
(To be designated in Municipal Auditorium Budget)
- (2) 1% Increase effective July 23, 1978. (Ord. Nos. 151,112 & 151, 113)
- (3) 1/2% Increase effective October 20, 1978. (Ord. Nos. 151, 114 & 151,115)

Amounts designated in the Municipal Auditorium Department Budget:

- (A) 1977-78 - \$1,613,255
- (B) 1978-79 - \$1,997,833
- (C) 1979-80 - \$2,051,000

Financial Impact of Booking Policy

Booking policy at the Convention Center is discussed in a prior section of this report.

In an attempt to evaluate the validity of conflicting policy positions, the Audit Team examined available data including a Lost Business Analysis Report prepared by the Greater Los Angeles Visitors and Convention Bureau. Based on the data reviewed, we are unable to conclude that a change in booking policy would have a significant net impact on direct revenues to the City, when Convention Center revenues, Sales tax, and the Transient Occupancy Tax are all considered.

It will be noted from the schedule on page 27 that the Transient Occupancy Tax collected by the City has increased substantially over the years from \$4.55 million in 1972-73, to \$6.38 million 1975-76, to \$13.93 million in 1978-79. Numerous factors have contributed to this increase, including an increase in the number of hotel and motel rooms in the Los Angeles area, an increase in room rates as a result of general inflation, and an increase in the Transient Occupancy Tax rate from 6% to 7-1/2% in 1978.

Recent reports indicate that the hotel business in Los Angeles is filling more rooms than ever and that occupancy rates are high. A significant portion of this business is reported to result from an increase in the downtown Los Angeles hotel convention business. However, trade shows and conventions at the Convention Center itself had a much smaller impact as indicated by the following statistics:

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Downtown Convention Business(1)			
Number of Conventions	199	216	240
Money spent in Los Angeles	\$55,000,000	\$103,000,000	\$140,000,000
Convention Center(2)			
Number of Conventions	4	3	6
Number of Trade Shows	15	18	25
Money spent in Los Angeles	\$24,400,000	\$ 20,800,000	\$ 25,900,000

Source - (1) Greater Los Angeles Visitors and Convention Bureau
(2) Municipal Auditorium Department, 1977-78 Annual Report

While Convention Center business may have a major impact on the downtown area, it is a small portion of the overall hotel-motel business throughout Los Angeles, which is the source of the

local Transient Occupancy Tax and related Sales Tax revenues. It is reported that most of the hotel business increase is due to an increase in commercial travelers and tourists. The commercial trend is traced to Los Angeles becoming a major center for business in the United States and also a gateway city for travel both within and outside of the Nation. Commercial occupancies usually occur Monday through Thursday when most of the business traveling is done. It is reported that tourism is increasing because of lower air fares and devaluation of the dollar abroad which has made Los Angeles hotel rooms a bargain. In short, while some adjustments to the existing booking policy may be feasible, there does not appear to be the kind of potential for change which would have a significant impact on total direct revenues to the City. See Recommendation No. 5.

Potential expansion of the facility is discussed in a prior section of this report. Based on current economics of the Convention Center operation, it appears unrealistic to expect direct revenues to recover operating costs as well as debt service. It is more realistic to anticipate that the debt service incurred to finance further expansion would be recovered from some other source; perhaps from a further increase in the Transient Occupancy Tax; allocation of an additional portion of the existing tax; from some portion of the tax now being allocated to the GLA; or perhaps from the General Fund. A Convention Center that has facilities to accommodate large conventions and exhibitions is one of the many attractions a great city should have. The economic benefits will accrue in many indirect ways. For example, it is one of the many City assets that major corporations consider when they decide to locate or continue to maintain their headquarters here. It complements many other attractions of the City, all of which contribute to the culture and life of its people and ultimately, though indirectly, to the City's tax base.

Visitors and Convention Bureau Contract Administration

The annual contract between the City and the GLA provides that the General Manager of the Municipal Auditorium Department shall administer the contract on behalf of the City. Because the goals of the GLA are broader than the goals of the Department, the General Manager is called upon to perform a dual role.

Under the terms of the contract, the goals of the GLA may be summarized as follows:

- Promote Los Angeles and its facilities and attractions as a desirable location for conventions and trade shows.

- Actively solicit such conventions and trade shows to be held in Los Angeles with emphasis on the Convention and Exhibition Center.
- Promote tourism and group tours to Los Angeles for the purpose of attracting more visitors to its attractions.
- Distribute free information and provide travel counselors for such visitors.

The contract also itemizes numerous specific activities that the Bureau should perform to achieve these goals.

The goals of the General Manager in his role as head of the Municipal Auditorium Department are much more restrictive than the goals of the GLA. The Manager's interest is limited to the marketing and rental of the Convention Center facilities for conventions, shows, meetings, dinners and special events. The GLA is soliciting conventions and trade shows for hotels throughout the City. It is conceivable that the GLA and Convention Center may at times be competing for the same business. While such conflict is possible, this Office does not believe it to be so serious as to make the General Manager's dual role unworkable. Nevertheless, the General Manager should be alert in his relations with the GLA that potential conflict is always present and could affect his decisions.

With regard to contract administration:

Section 4 of the contract sets forth duties of the GLA.

- 4(a) Provide a budget detailing programs and sources of funds.
- (b) Submit monthly statements of expenditures.
- (c) Provide a certified audited statement for the past year.
- (d) Submit invoices for payment quarterly.
- (e) Submit a report indicating services provided and results attained within 60 days after the term of the agreement.
- (f) Submit all advertising copy, brochures, films, etc., prior to production and dissemination.

Section 7 of the contract sets forth duties of the General Manager as representative of the City.

- 7(a) Prior written approval of budget revisions.

- (b) Written approval of all advertising copy, brochures, films, etc., prior to production and dissemination.
- (c) Written approval of all contracts in excess of \$25,000 prior to execution.
- (d) Written approval of all invoices, statements, and other documents for processing.

A position of auditor has been provided in the Department's budget for purpose of auditing expenditures incurred by the GLA. The GLA is to reimburse the City for the auditor's direct salary and related indirect costs.

The auditor by training and experience is qualified to audit expenditures and recommend approval of invoices for payment. This individual can also determine that some of the programs and specific activities to be performed by the GLA as set forth in the contract have in fact been performed. However, the auditor's training and experience do not qualify him/her to make valid judgments about the effectiveness of those programs and activities in achieving contract goals summarized above. These judgements and evaluations can best be made by persons with a background in marketing.

Accordingly, those duties assigned to the General Manager under the contract concerning goals and program evaluation, approval of advertising copy, brochures, contracts, and related matters, should be delegated to Marketing/Services Division personnel for recommendation; those duties concerned with audit of expenditures and approval of invoices for payment should be delegated to the Accounting Division for recommendation.

The auditor should be assigned a dual reporting relationship, reporting to the Accounting Division for purposes of auditing expenditures and approval of invoices, and reporting to the Marketing/Services Division to assist in obtaining facts and data about the other activities and programs required for contract compliance. The evaluation as to the extent to which the contract has achieved the goals set forth in the contract would be made by the Marketing/Services Division for approval of the General Manager. See Recommendation No. 13.

Accounting

The Accounting Division is responsible for the design and maintenance of procedures relative to budgeting, accounting, auditing and property control. Accounting includes revenue billing and collections, payables, payroll and preparation of periodic and special financial and cost accounting reports for management. During the course of the audit field work, both the Principal and Senior Accountant positions were vacant. This placed a heavy burden on the Accounting Division personnel in its efforts to continue to operate effectively.

For the Fiscal Year 1979-80, the Accounting Division will be authorized a total of 10 employees, eight accounting and two clerical. The Principal Accountant position which reports directly to the General Manager has now been filled. It is anticipated that the Senior Accountant position which had been frozen due to Proposition 13, will be filled in the next few months. With these positions filled, the Accounting Division should then be able to significantly improve its performance and responsiveness to management's information needs.

Accounting requirements for the Municipal Auditorium Department are somewhat different from most Council-controlled departments. In many ways it must operate like the independent "enterprise" departments but on a much smaller scale. To accomplish this purpose the Accounting Division manually maintains a double entry set of books, including a revenue register and a general ledger. Numerous routine and special reports to management are prepared manually, summarizing on a daily basis receipts, expenses, attendance figures, concession sales, etc., for the various events. A monthly Comparative Statement of Income and Expense and a Comparative Balance Sheet summarizing total departmental operations are also prepared. In this manner much useful information is provided to management.

In the absence of a City-wide automated financial management system, and recognizing the unlikely prospect that a single department accounting application would receive serious consideration in advance of the development of a City-wide system, the Accounting Division must continue to perform the above activities manually. The Department, however, may wish to request the assistance of the City Administrative Officer in reviewing automation potential. See Recommendation No. 15.

The manual books, records and procedures currently in use have evolved over the years, changing to meet specific requirements at the time. A major effort of the Principal or

Senior Accountant should be to conduct a detailed desk-by-desk analysis of work performed for the purpose of improving procedures, clarifying responsibilities and thereby simplifying detailed bookkeeping and report preparation methods. Procedure manuals for each desk should be prepared where appropriate. The objective should be to minimize effort and maximize output of all Accounting Division personnel. The timeliness, accuracy and usefulness of all periodic reports could also be much improved. See Recommendation No. 14.

Some of the financial statements, particularly the monthly Comparative Balance Sheet, do not convey a clear picture of the financial and legal structure which financed Convention Center land acquisition and building construction, and sustains its operations. To obtain a complete picture, it is necessary to consult several different sources. In addition, the financial statements do not portray in clear perspective bond service requirements, net operating revenues, and general fund subsidies that might be useful for long term financial planning and forecasting.

Given the "enterprise" nature of the Municipal Auditorium Department, and the similar orientation of the City's proprietary departments (particularly the Airports, Harbor and Water and Power Departments), it may be beneficial to the Department to review the financial statements of the latter from a comparative perspective. Conceivably, the Department may find it desirable to adopt certain elements found in such statements for its own purposes.

Maintenance

At the present time, there are four operating sections within the Maintenance Division. The Building Maintenance and Operations Section includes personnel who are primarily concerned with the maintenance of the buildings and repair of equipment. The other traditional maintenance sections are Custodial Services and Grounds Maintenance. Within the past year, a separate Electrical Services Section has been established to provide electrical service to clients.

Currently, there is an imbalance in the workloads among management personnel which should be corrected. In addition, during the Audit the Administrative Assistant, who was hired to assist the maintenance managers, had been on loan elsewhere in the Department. In order to more effectively operate the Maintenance Division, the Administrative Assistant should be returned to the Maintenance Division to provide needed administrative support.

Electrical and plumbing services for clients have been provided by the Convention Center since the fall of 1978. Following this move, increased attention has been directed to this important function by Maintenance Division management personnel. The Convention Center Building Superintendent, the Assistant Building Superintendent, and the Electrical Supervisor now have increased workloads. The Building Maintenance Supervisor, on the other hand, has a much lighter workload. (See Attachment B). He no longer supervises Electricians. In addition, some employees in his section are frequently reassigned to the Electrical Services Section to assist in providing electrical services to clients. Also, some of the employees in the Building Maintenance and Operations Section require little day-to-day supervision due to the nature of the work being performed.

To help correct this workload imbalance, the Building Maintenance Supervisor should be assigned the responsibility for the operations of the Grounds Maintenance Section and the Custodial Services Section. The management of personnel involved in both of these activities is included in the duties for his job classification. An important advantage of this change will be that the Building Maintenance Supervisor will be able to personally contact each subordinate section supervisor as well as other key personnel at some time during his working shift. At the present time, the maintenance management personnel assigned to supervise the custodial function are not on duty during the

working hours of Custodial Services Section personnel. See Recommendation No. 16.

A number of tasks which are more appropriately handled by an administrative employee have out of necessity been performed by the Assistant Building Superintendent. Provision should be made to permanently staff the administrative position in the Maintenance Division. Assignments for the Administrative Assistant should include budget preparation, preparation of some specifications, preparation of policy and procedural manuals to assist the Division in its own work and in the coordination of work with other divisions, and special project assignments. See Recommendation No. 17.

By implementing the organization and staffing recommendations contained in this report (See Attachment B), additional time will be made available to enable the Assistant Building Superintendent to accomplish some work not previously possible due to time constraints. This involves making an overall assessment of the manner in which maintenance activities are being performed, and an assessment of the present maintenance requirements for the facility. A review and evaluation of the work being performed by each section of the Division should be made periodically, followed by action to improve the performance whenever necessary. See Recommendation No. 18a.

The Assistant Building Superintendent should also make a complete inventory of the maintenance requirements at the Convention Center. Following this, a program should be developed for completing necessary deferred maintenance, and a schedule developed for preventive maintenance to be performed on periodic basis. See Recommendation No. 18b.

Provision of Electrical and Plumbing Services to Clients

Exhibitors at trade and consumer shows frequently require electrical services to operate lights, motors or other devices in connection with their exhibits. Some may also require water, compressed air or natural gas. Prior to the fall of 1978, these services were provided by a private contractor. The exhibitors made arrangements with the contractor for the services needed and made their payments directly to the contractor. A percentage of the gross billings were turned over by the contractor to the Convention Center to pay for the energy

consumption, water usage, and related expenses incurred by the Convention Center.

Since October 1978, electrical and plumbing services have been provided to clients by the Convention Center. This venture has been quite lucrative.

The procedural steps for providing electrical and plumbing services are summarized in the following commentary. Order forms for electrical and plumbing services are mailed to exhibitors in advance of show dates. Exhibitors are requested to indicate their electrical and plumbing requirements and return the forms to the Convention Center with their advance payments. Personnel in the Accounting Division accept the advance orders, account for the remittances, and initiate follow-up billings if necessary. An Electrical/Plumbing Booth is operated in the Convention Center during "move-in", "move-out" and show days. It is normally staffed by Accounting Division personnel. During show move-ins, electricians and other employees provide the electrical and plumbing hookups for exhibitors in accordance with the orders on file at the booth. Personnel operating the booth also accept "floor orders" submitted by exhibitors during the move-in period. They also handle problems and complaints made by exhibitors, and arrange for the craft employees to correct problem situations.

After having provided these services for a number of trade and consumer shows since October 1978, the results have been generally satisfactory. The shows vary considerably in size and in the demands for electrical and plumbing service. Although many of the shows were handled with relative ease, two of the trade shows scheduled during March 1979 were particularly troublesome for the Department. Problems encountered during all major shows during the first-year of operation should be carefully analyzed and specific plans should be made to avoid recurrence so as to insure a smooth performance in future years.

The main problem which has been encountered to date has been the inability to hire sufficient numbers of additional electricians on a temporary basis to supplement the Convention Center staff during move-in and move-out time periods. Thus far, the local electrical union has not cooperated with Convention Center management in meeting this requirement. Since no electricians have been made available through the local union, additional electricians have been recruited from other City departments. This has not been entirely satisfactory because sufficient additional craftsmen are not always available when most needed by Convention Center management. The General Manager has taken action to improve the Department's ability to cope with the problem by increasing the permanent staff of the Electrical

Section of the Maintenance Division. He is also continuing to pursue with representatives of the electrical union and with City officials alternate means of assuring the availability of adequate numbers of qualified electricians who may be called in on a temporary basis.

During the move-in periods of a few larger shows, the on-hand inventory of some electrical and plumbing materials was too low to support the volume of installations being made. This resulted in delays in service to clients. The problem was largely due to the City's inexperience in this type of work. Since most of the same trade and consumer shows are booked into the Center every year, it should not be a significant problem in the future. The first year's experience can be used as a guide to insure that adequate inventories of each item for each show will be on hand in future years.

To improve the electrical and plumbing service provided to clients, a thorough analysis of the problems which have been encountered during each major show should be made. Plans should then be formulated in writing covering the manner in which the craft work is planned and performed and the manner in which the Electrical/Plumbing Booth is handled. The Department plans to improve the electrical and plumbing service order forms and to design a separate service order form specifically for the Gift Show.

From observations made during the audit of move-ins of several trade and consumer shows, it appears larger inventories of equipment and supplies should be available at the beginning of the shows, and more craft workers should be scheduled to work during the beginning of the move-in period. For larger shows, more work should be done in advance of the first move-in day in order that the hook-up services provided to individual exhibitors can be completed earlier during the move-in period. The method of deploying work crews should be carefully planned in advance, and the work should be monitored to insure that the crews are of proper size. See Recommendation No. 19a.

Because the Electrical/Plumbing Booth is frequently operated for more than one shift per day, several persons from the Center may be assigned to the booth for some events. It is very important that all employees be properly trained and thoroughly understand what the Convention Center has to offer and how to deal with exhibitors. A reference manual should be prepared. All personnel who work at the booth should be instructed to study the manual and to attend training sessions covering questions generally asked by exhibitors, means of handling complaints, means of properly assessing charges for service and materials, and methods of coordinating with the

craftsmen who are performing the service for the clients. See Recommendation No. 19b.

A unique characteristic of the Convention Center operation is the necessity to adhere to rigid time schedules in providing space in exhibit halls and meeting rooms and other services contracted for by the clients. Because of the inability to anticipate all requirements for each of the events in advance, it is sometimes necessary to purchase items from outside vendors on very short notice. During regular working hours on weekdays, this is normally accomplished by "hand carrying" purchase requisitions to the General Services Department and requesting the assistance of buyers in that Department in making arrangements for purchases.

During evening hours and on weekends, it is also necessary to make emergency purchases from time-to-time to insure that event move-ins will progress according to schedule and that all contracted services to be provided by the Convention Center will be completed prior to the opening of the event. Department management had indicated to the Audit Team that the limitations imposed by the Charter and Administrative Code pertaining to emergency purchases after normal working hours were unduly restrictive and that this caused serious problems for the Convention Center. Due to the excellent cooperation of the General Services Department in facilitating the acquisition of items in bona fide emergency situations, the Audit Team did not find a significant problem in this regard.

A factor which does adversely affect emergency purchasing is the limited number and type of yearly orders currently available to the Convention Center. Most of them are existing City-wide yearly orders which are very limited in scope. The General Services Department should be requested to obtain additional yearly orders with vendors to supply a wide range of electrical and plumbing materials and other items which are needed by the Convention Center on a continuing basis. See Recommendation 20a.

The services of the City Store could probably be used to a much greater extent by the Convention Center if some additional items were carried in inventory, if adjustments were made in the inventory levels of some items, and by modifying City Store working hours at certain times to support the Convention Center operations. See Recommendation No. 20b.

Since the Department assumed the responsibilities for providing electrical and plumbing services to clients, the quantities of equipment, materials and supplies required to support this new function vary considerably from one event to the

next. It is probable that there will also be a variance in quantities from year-to-year because of changes in scheduled events. Therefore, it is suggested that consideration be given to modifying Ordinance No. 151,323 to expand the use of the existing Revolving Fund Account to include provision for acquiring equipment, materials and supplies required to support the electrical and plumbing services to clients. If this approach is deemed not feasible, the establishment of a separate Revolving Fund Account within the Municipal Auditorium Revenue Fund should be considered to finance such purchases during the year, rather than to attempt to estimate the dollar value of funds to be allocated each year in a budget account. See Recommendation 21.

Custodial Services

The Custodial Services Section of the Maintenance Division is responsible for the cleaning of the east portion of the Convention Center building including the main lobby, corridors, meeting rooms, restrooms and offices. The Section is also responsible for cleaning the offices and restrooms on the west end of the building, the restrooms in the garage, and the Sentous Street parking structure. The custodial work is performed during the 11 p.m. to 7 a.m. shift.

The disposal of trash at Yorty Hall during event move-ins and move-outs and the policing of Yorty Hall and the corridors and restrooms during events is done by employees of the Event Services Section of the Marketing/Services Division.

In the opinion of the Audit Team, the Convention Center is not being maintained at an adequate level of cleanliness. As a result of this condition, the image of the Center is adversely affected. Corrective action should be initiated as soon as possible.

The carpeted areas are regularly vacuumed but are not shampooed completely at scheduled intervals. The lack of regular shampooing detracts from the appearance of the carpets. The condition of the restrooms is definitely below acceptable standards. The floors, the condition of the pipes and some of the metalwork were especially bad during the period of the audit. All restrooms in the Convention Center complex do not appear to be maintained at the same level of cleanliness. Those which are

used primarily by the public are in the worst condition. The downstairs restrooms in the front of the building and the restrooms located above the refreshment stands on the west side of the building fall into this category.

Custodial cleaning assignments are sometimes missed because positions are vacant or individuals are absent for various reasons. When custodians are unable to work their assigned shift, they are usually not replaced. As a result, only "token" cleaning is done on some nights. Work which is oftentimes neglected is the cleaning of telephone booths, vending machine areas, drinking fountains, and general dusting throughout the Convention Center.

When the Convention Center opened, the Management Systems Division of the Recreation and Parks Department developed a Custodial Maintenance Program. The program specified all custodial assignments and provided written instructions for custodians to follow for all cleaning tasks in the building. This program was followed only for about two years, however, and was never updated to reflect current operating conditions.

There have been changes through the years in the custodial supplies and equipment in use, as well as some changes in the building materials, such as different types of carpeting and wall coverings which are now used in some areas. There have also been significant increases in the number of shows scheduled - resulting in higher patronage in recent years. All of the changes impact upon the resources required to maintain the facility in first class condition.

During the management audit, it was recognized that there was a need to establish an acceptable level of cleanliness for the Convention Center and to determine what should be done, first to attain this level, and then to maintain it. Concurrent with the audit, a more comprehensive review of the custodial services function was made by this Office and Convention Center personnel. The review included analyses of the custodial work assignments, the supervision and training of personnel, and the adequacy of the supplies and equipment in use. It was determined that improvements were needed in order to continually maintain the facility at a high level of cleanliness. Alternative approaches which may be used to improve the situation include, but are not necessarily limited to: contracting for custodial work with a private company; engaging a consultant specializing in the custodial field to further analyze the function and recommend appropriate staffing, equipment, and operational methods; or increasing the current Custodial Services work force and providing better supplies and equipment.

It is recommended that the Department consider these and any other alternatives of merit, and that the General Manager develop a specific plan for improved custodial maintenance and submit it in the form of a proposal for funding consistent with the budget process. See Recommendation No. 22.

General Appearance of the Convention Center

The general appearance of the facility is perhaps as important as any other single factor affecting the public image of the Convention Center. Certain problems relating to general cleanliness were mentioned in the Custodial Services Section of this report. Additional observations regarding the appearance of the Convention Center are mentioned below.

The outside fountain in front of the main entrance to the building is in dire need of cleaning and renovation. For some time both the tile and concrete areas at the top of the fountain structure have been seriously stained. A large number of patrons pass by the fountain when walking between the parking areas and the Convention Center main lobby, and its general unsightliness conveys the impression of poor maintenance. In addition, the landscaping in the area of the fountain was not very attractive at the time of the audit. A project for the cleaning and renovation of the outdoor fountain should be planned and assigned to the Maintenance Division painting crew. The adequacy of the landscaping in the fountain area should be evaluated and arrangements made for upgrading and providing better ground cover, possibly through an outside contract.

The main lobby of the Convention Center is quite impressive because of the extremely high ceiling, mirrored walls and fine carpeting. It appears, however, that one of the primary design features which was probably meant to further enhance the appearance of the lobby may actually be detracting from its appearance at the present time. Most of the light bulbs in the large sculptured Venetian glass ceiling fixture have burned out long ago and have not been replaced. The Audit Team was informed that it would be difficult or impossible to relamp the sculpture without dismantling it, and that such dismantling would be a time consuming job. Nevertheless, since it is an important feature of the lobby area, the light sculpture should be cleaned and relamped, either by Convention Center maintenance personnel or by outside contract.

The corridors in the building could be made more attractive by the creative use of wall coverings, and/or graphics. The room numbering signs on the second floor are not particularly attractive, and the benches in the corridors seem uninviting. Several alternative means of improving the appearance of corridors should be considered. New painting schemes, wall coverings, or special wall treatments could probably create a warmer atmosphere. Other styles of furniture would probably be more pleasing in appearance and more comfortable for patrons. Attractive color-coordinated graphics could be designed to replace the present room numbering signs in the corridors. There also appears to be a need for improved signboards or other types of directional signs in the main lobby to assist patrons in locating exhibit areas and meeting rooms.

The carpeting has recently been replaced in the main lobby. The new carpeting is very attractive and adds much to the appearance of the lobby area. Many of the corridors have also been recarpeted. The appearance of a number of the meeting rooms, however, could also be improved significantly by recarpeting. The carpeting in Petree Hall was scheduled for replacement at the time of the audit. Arrangements should have been made to replace it much sooner, since the poor condition of the carpet definitely detracted from the overall appearance of the Hall.

For many of the exhibits, the aisles in Yorty Hall are left uncarpeted. The concrete floor is always in clean condition for shows and exhibits because it is scrubbed with a power scrubber prior to the opening of each event. However, whenever the aisles are left uncarpeted during an event, partial strips of colored tape from previous shows and remnants of old paper labels remain stuck to the concrete floor. The floor scrubber will not remove these items. Such litter should be removed regularly either by exhibitors or by Event Services Section personnel.

The floors in the parking area beneath the main building appear to be regularly cleaned, but the floors of the Sentous Street parking structure were observed to be very dirty, at least during one period of the audit. Arrangements should be made for regular cleaning of the Sentous Street parking structure. Cleaning of the first and second floors of the structure could be performed by Grounds Maintenance personnel during periods of inclement weather.

Special emphasis should also be placed on improving the general cleanliness of glass doors, mirrors, drinking fountains, phone booths, floor areas and restrooms. See Recommendation No. 23.

Parking Services

Parking for the Convention Center is provided beneath the main building, in the area surrounding the main building, and in a separate structure west of Sentous Street. There are three parking entrances to the main parking area and two parking entrances to the Sentous Street structure. The parking services function is currently staffed with a full-time Parking Supervisor and two full-time Senior Parking Attendants. One additional Senior Parking Attendant has been approved for the 1979-80 budget. Approximately 25 part-time employees are available to work four hours a day or more.

The total number of parking spaces available is close to 4,000, including space on the unpaved lots in front of the Convention Center complex which are sometimes used when other parking areas are filled.

The parking workload fluctuates considerably depending upon the events in progress. The regular parking personnel are doing a good job of scheduling part-time employees for duty when needed during daylight hours and in the evening up to 10 p.m.

A flat charge of \$1.50 is made for each vehicle for each day of parking. Parking Attendants on duty collect the money and give the driver one part of the ticket and place the other on the exterior of the vehicle.

In addition to the basic parking tickets, several other types of passes and permits are used. There are show staff parking passes which are issued to promoters as a part of their license agreement package. These are prenumbered passes which are dated for the specific show. There are also exhibitor parking permits which are sold to show exhibitors. Parkers with these tickets may enter and re-enter as often as they wish. Parking permits are also issued to employees at the Center.

On occasion, a special arrangement is made between a representative of the Convention Center and a client organization to provide parking for personnel attending a certain meeting or show. In these cases, the Parking Attendants keep a count of parkers who identify themselves as patrons attending a particular event, and the client is billed later at the regular parking rate for each parker.

Certain improvements are needed in the Sentous Street parking structure, including installation of parking booths to facilitate ticket sales.

Although the audit detected no widespread abuses or potential for large revenue losses under the current system, certain potential problems exist. For example, the Parking Attendants could resell tickets; could allow cars to enter, collect money and not issue tickets; or could allow parkers to enter without paying, either deliberately or inadvertently.

At the time the Convention Center was built, a computerized vehicle counter system was installed. Reportedly, this system has never worked accurately. At the present time there is no revenue control system in effect tied in with accurate vehicle counting devices. Under the current mode of operation, such a control system would be complicated because of the prepaid and non-pay Parkers who may come in any of the gates. Therefore, even if an accurate counting system was being used the vehicle counts and ticket sales would not reconcile due to the various types of parkers.

Time did not permit making a complete investigation of the possible means of improving the parking situation during the management audit. There have been many new developments in hardware and revenue control procedures for parking since the Convention Center was built. Therefore, it is probable that cost beneficial improvements can be made. Parking specialists should be contacted to review the parking services operation and make recommendations for improvements. See Recommendation No. 24.

VI ATTACHMENTS

- A. Convention Center Policy Survey
- B. Departmental Organization Chart

CONVENTION CENTER POLICY SURVEY

In an attempt to determine the standard operating policy of convention centers in the United States the Greater Los Angeles Visitors and Convention Bureau surveyed 25 cities. The purpose of the questionnaire was to determine if it was a generally accepted practice to provide a priority of dates for conventions and trade shows as opposed to public shows in a convention center.

The results of the survey indicate that the following cities provide a priority for conventions and trade shows for dates beyond one year in advance.

*Anaheim	*Detroit	Phoenix
Atlanta	*Las Vegas	San Francisco
Atlantic City	New Orleans	*St. Louis
Chicago	*Philadelphia	

The following city had a priority of 14 months.

*Cincinnati

The following cities have a priority of 18 months.

Denver
Indianapolis
*Kansas City

The following cities have a priority of 2 years.

*Cleveland
Miami Beach

The following city has a priority of 3 years.

Boston

The following cities have no established policy.

Dallas	New York City
Houston	Pittsburgh
Minneapolis	Seattle
Milwaukee	

Total: 18 cities with a priority policy
7 cities without a policy

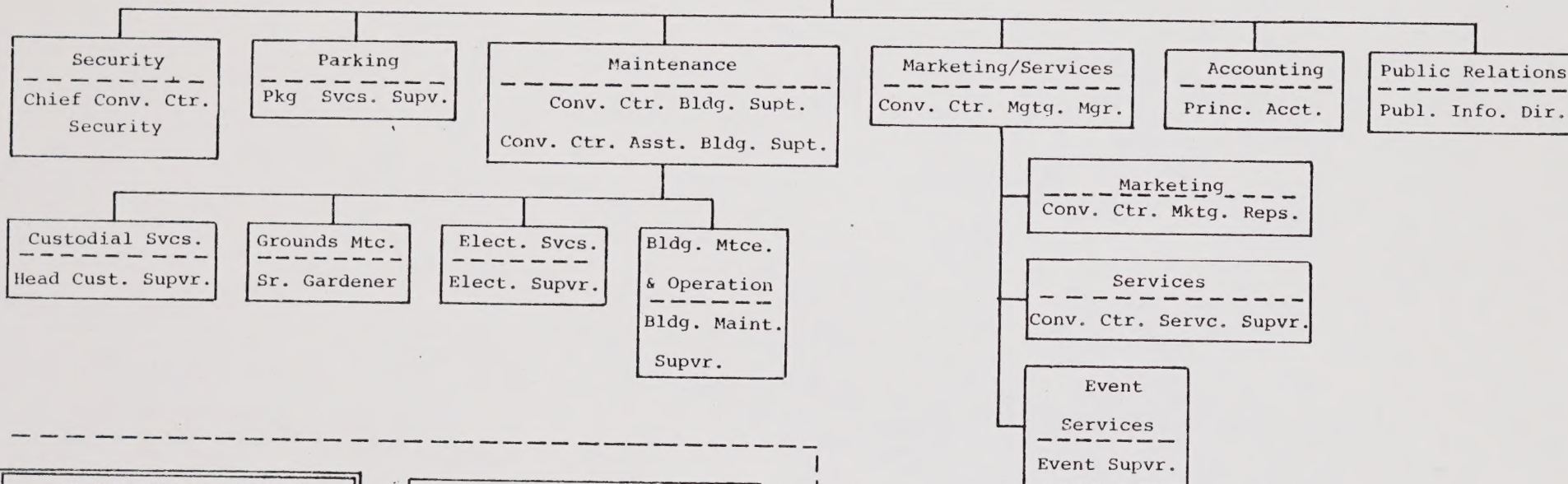
*Indicates that the priority agreement is a written policy. All other are verbal agreements with the city.

MUNICIPAL AUDITORIUM DEPARTMENT
CURRENT ORGANIZATION CHART

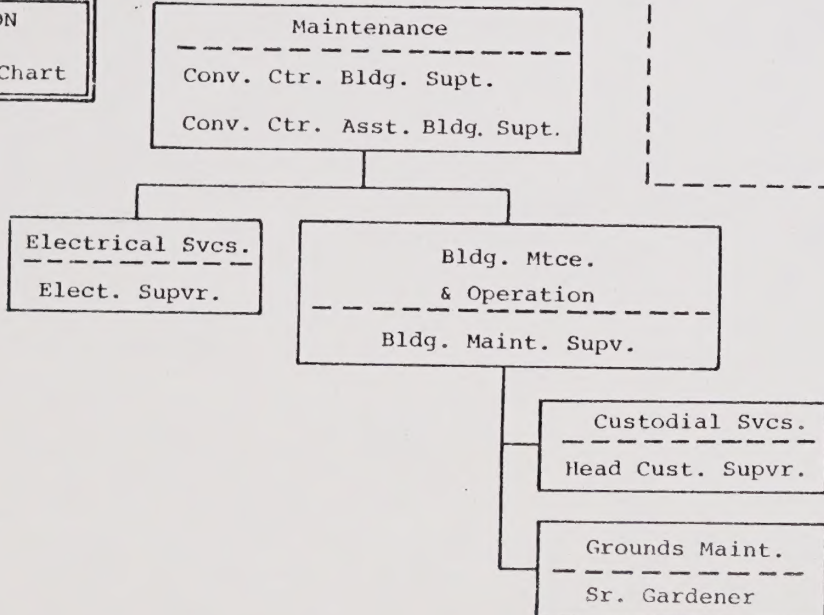
ADMINISTRATION

Conv. & Exhib. Ctr. Gen. Mgr.
Conv. & Exhib. Ctr. Asst. Gen. Mgr.

Board of Municipal
Auditorium Commissioners



MAINTENANCE DIVISION
Proposed Organization Chart



**MUNICIPAL AUDITORIUM
DEPARTMENT ORGANIZATION**
Current and Proposed

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